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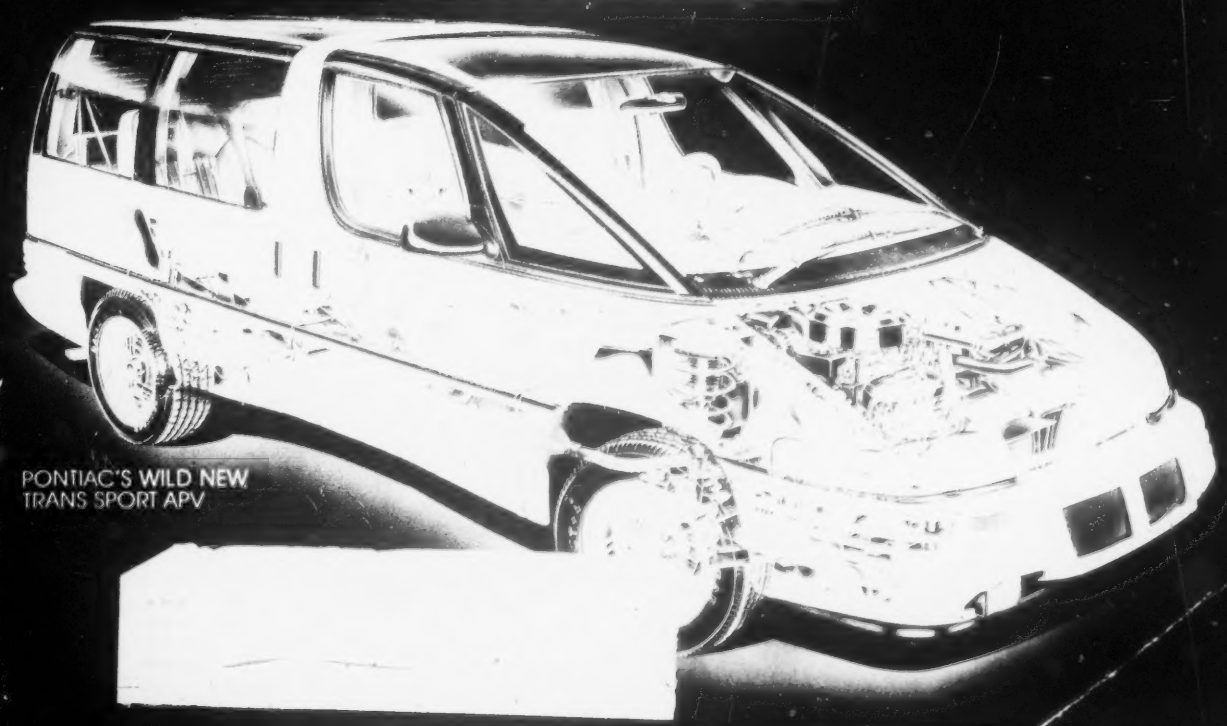
AUTOMOTIVE INDUSTRIES

JUNE 1989

THE PEOPLE — THE PRODUCT — THE PROCESS



PONTIAC'S WILD NEW
TRANS SPORT APV

JUNE 1989 VOLUME 169, No.6

AUTOMOTIVE INDUSTRIES

SPECIAL ISSUE

97 14th ANNUAL SUPPLIER SOURCE GUIDE
The industry's one-stop OEM shopping guide.

FEATURES

37 CHRYSLER'S NEW LIBERTY PROGRAM Q&A with Liberty's chief.
42 INSIDE BUICK'S TOY BOX Giving concept cars the 'Buick Test.'
48 SHOP FLOOR DEMOCRACY Worker relations at Saturn.
53 EMDEN BUILDS TO ORDER VW's new plant cuts delivery time.
57 RESPONSE IS THE PRIME OBJECTIVE Profiling ITT Automotive.
62 SHOOTING FOR THE SKIES High times for Fuji Heavy.
66 TIME FOR A CHANGE Isuzu moves out of GM's shadow.
71 SOLIDARITY IN POLETOWN! A new deal at Hamtramck.
78 SHARP CLAWS FOR THE EAGLE All Wheel Drive hits Diamond-Star.
84 LITTLE LEGEND Acura's all-new Integra.
278 TRUCK & OFF-HIGHWAY INDUSTRIES Not found in all issues.

FACTS: FACTORY AUTOMATION/COMPUTER TECHNOLOGIES

88 THE CHIPS ARE DOWN! Ford's EEC-IV is in control.
91 NEURAL NETWORKS The computer as human brain.

NEWS AND OPINION

Newsline: A Honda Pickup Truck? 15
Marketdata: Advertising Costs 26
Strictly Business: Mazda's Hidden Image 31
Cars Worth Noting: Chevy Lumina, Mercury Cougar, VW Vanagon 28

DEPARTMENTS

Editorial 7
Endangered Species

Harbour 11
High Cost of Body Dies

Keller 17
Fleet Sales Hurting The Industry

New Technology 288
Sbarro's Hubless Wheel

Supplier Update 295
What's New, OEMs?

International 301
Death roads and optical fiber rubber

New Products 302
A Whole Lotta Stuff

Letters 320
Pontiac's Hot Turbo

14TH ANNUAL SOURCE GUIDE

For the 14th straight year, we bring you the automotive industry's most comprehensive guide to the OE supplier marketplace.

AUTOMOTIVE INDUSTRIES (ISSN 0273-656x) magazine is published monthly by Chilton Co., Chilton Way, Radnor, PA 19089. Chilton Company is a division of Capital Cities/ABC, Inc., New York, NY. Subscription rates: 1 yr. $49.95 US, $100.00 foreign. Phone (215) 964-4152. Second Class Postage paid at Wayne, PA 19087 and additional mailing offices. POSTMASTER: Send address changes to AUTOMOTIVE INDUSTRIES, Circulation Dept., Chilton Way, Radnor, PA 19089. © Chilton Company, 1989. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that a base fee of $1.00 per copy of the article, plus 25¢ per page is paid to the CCC, 21 Congress St., Salem, MA 01970. Address special requests to The Editor. (0273-656x/85 $1.00 + 25¢)

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Promoting The Product

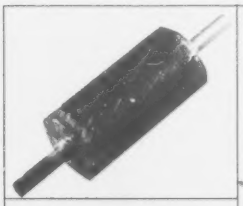
We all know that quality cars sold at reasonable prices are the keys to success. But you have to let the public know they're available – through advertising. Among Japanese and Korean importers, Honda enjoys the lowest **advertising cost per car**. Mitsubishi spends the most (amongst products that are currently sold), but Lexus and Infiniti will vault to the top of the list when they come out this fall.

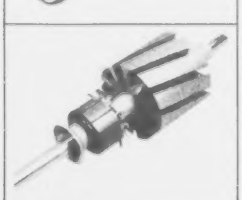
COMPANY	AD BUDGET (million $)	COST PER VEHICLE
Toyota	$263	$281
Nissan	$166	$258
Mazda	$160	$458
Honda	$110	$171
Mitsubishi	$120	$774
Hyundai	$ 71	$268
Lexus	$ 70	$875
Isuzu	$ 68	$591
Subaru	$ 66	$423
Infiniti	$ 60	$800
Acura	$ 55	$429
TOTAL	$1.21 billion	

Source: Mitsubishi Motor Sales of America

Probing The Swiss Market

Mazda Motors Manufacturing USA manufacturing VP Jim Korowin says that in addition to the 5000 Japan-bound Ford Probes made at his Flat Rock, MI plant, they're also targeting the European market. "We're sending **1000 Probes to Switzerland** this year," he confides. Adds Korowin's boss, MMUC president Osamu Nobuto: "By the mid-90s Mazda will be buying engines from Ford as the primary MMUC (Flat Rock) engine."





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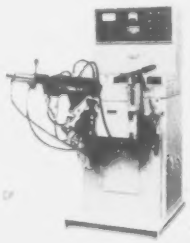

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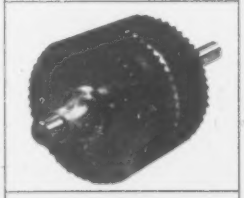
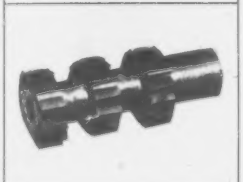
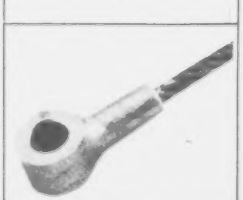

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Ag Business Faces Undercapacity

by John Stark

A major turnaround looms in the North American farm machinery business, the likes of which could far exceed the boom days of 1979.

All of the industry's basic business fundamentals have already fallen into place.

Inventories are low. Availability of good, used farm tractors and self-propelled combines in stock at dealer outlets remain at low ebb. Used machinery prices are rising rapidly. Steep price discounting on new vehicles has almost disappeared, as profit margins continue to climb.

North American factories are buzzing with activity. John Deere and J.I. Case soon plan to bump daily output targets up again. Summer assembly shutdown periods may be cut to reflect a sharply higher level of business seen starting in the 1989 fourth quarter.

More and more officials in the US and Canadian farm machinery business are revising near-term economic outlooks to reflect a return to the cyclical periods of boom and bust during the 1960s and 1970s.

Manufacturers, in general, expect that retail sales of the vehicles will advance this year by about 7%. In 1990, explosion could occur. Farm machinery sales are seen soaring by 25% to 40%—a dramatic turnaround after eight straight unprecedented years of downturn.

During the 1980-1988 downturn, farm machinery producers pared assembly capacity to reduce overhead costs and remain liquid. Tractor-making capacity was cut by about 25%.

John Stark is editor and publisher of Stark's Off-Highway Ledger.

Combine manufacturing capacity remained relatively unchanged, despite the corporate failure of Massey Combines Corp.

Some tractor makers are now privately concerned that insufficient local assembly capacity exists to quickly satisfy rapidly rising local market demand for their products.

Many Case dealers are concerned about the difficulty in obtaining the Magnum nameplate two-wheel drive tractors from the factory. Case, meanwhile, is manufacturing 42 Magnums each day—the highest level of output in four years. Production schedules are expected to jump to 50 units in August or September.

According to them, momentum of the entire farm machinery business is in a state of rebound, moving toward a higher level of demand that's fueled by an across-the-board return to favorable economic fundamentals.

The combine business, in particular, is perched for a major rebound. Severe shortages of good, used combines on dealer lots are common. By this August, start of the fall harvest selling season, price margins will rise further as unit sales follow suit.

Much of the credit for rising machinery purchases is due to increased acreage planting of corn and soybeans.

This year's sales of combines in North America are forecast to advance by nearly 41%. Large four-wheel-drive tractors should increase by 25%. Row crop-type two-wheel-drives are seen climbing by a similar 25%. Dairy type (40-99 hp) tractor turnover should edge up by less than 1% and compact (below 40 hp) tractors are expected to fall by 4%.

Since higher-priced farm machines that are sold locally are built locally, dramatic turnaround in US agriculture will reap major dividends for US and Canadian makers of the vehicles.

Skepticism still persists among certain manufacturers that substantial rebound may not materialize. According to them, early 1989 sales statistics appear disappointing.

But other farm industry officials expect the widespread shift to favorable economic fundamentals will reward the business with a boom in demand starting in the fourth quarter.

"We are in the early stages of a significant turnaround," an official remarks. "We will soon reap a plentiful harvest. It's being planted now."■

US AND CANADA FARM MACHINERY SALES

	1988	1987	1986	1985	1984	1983
Below 40 hp	58,545	64,565	65,790	61,205	54,495	48,310
40 to 99 hp	42,435	39,865	40,195	46,315	46,935	44,925
100 hp +	18,455	18,455	17,715	22,555	29,090	33,775
All 4WDs	4,070	19,015	3,650	5,435	6,325	7,555
Total Tractors	**123,505**	**126,080**	**127,350**	**135,510**	**136,845**	**134,565**
SP Combines	7,190	8,715	10,470	11,250	14,220	16,680
Grand Total	**130,695**	**134,820**	**137,820**	**146,760**	**151,065**	**150,245**